

Adriaan Diepeveen

DESIGNING A BUSINESS MODEL FOR DAYLIGHT DREAMER
SOCIETY

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DESIGNING A BUSINESSMODEL FOR DAYLIGHTDREAMERSOCIETY.COM

Diepeveen, Adriaan

Satakunta University of Applied Sciences

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Supervisor: Koivula, Reijo

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The purpose of this thesis was to design a robust and scalable business model for Daylight Dreamer Society. The model had to be automatable to a high degree, easy to implement, and only require a low budget.

In the theory the various parts that make up a business model were examined. This was done with the help of the business model canvas. Furthermore the theory examined how the target group should be selected and the value proposition should be determined. The theory also discussed ways to make a company more robust by looking at how to minimize the downside a business model is exposed to while maximizing potential upside. Lastly the theory discussed the validity of predictions and the use of long term business plans which were shown to be highly unreliable.

In the application part a business model was designed for Daylight Dreamer Society. This was done using the business model canvas discussed in the theory by seeing how they apply to Daylight Dreamer Society after putting down some guidelines for the final design based on the theory regarding risk reduction. The business model designed was then assessed using the guidelines laid out. The result of the application is a business model for Daylight Dreamer Society that has been used to design the platform and serves as a guideline for the operations of the business as an alternative to the traditional business plan which has been shown to be unreliable in the theory part.

CONTENTS

1	INTRODUCTION	5
1.1	About Daylight Dreamer Society	5
1.2	History of DaylightDreamerSociety.com	5
1.3	Goals and mission of DaylightDreamerSociety.com.....	6
1.4	Target group.....	6
1.5	Purpose of this thesis	6
1.6	Methods6	
2	BUSINESS MODEL DESIGN	7
2.1	What are business models.....	7
2.2	Building blocks of a business model	7
2.2.1	Customer segments	8
2.2.2	Value propositions.....	9
2.2.3	Channels	10
2.2.4	Customer relationships	11
2.2.5	Revenue streams.....	12
2.2.6	Key resources	14
2.2.7	Key activities.....	15
2.2.8	Key partnerships.....	15
2.2.9	Cost structure.....	15
2.3	Choosing the target audience	16
2.4	Deciding on the value proposition	17
2.5	Keeping costs down	17
2.6	Web based business models.....	18
2.7	Evaluating business models	21
3	ANTIFRAGILITY	22
3.1	What is antifragility	22
3.2	Black swans and the unpredictability of real life.....	23
3.3	Survivor bias	25
3.4	Mediocristan vs. Extremistan	25
3.5	Via Negativa	26
3.6	On business plans and predictions	26
3.7	The Barbell Strategy, thriving in an uncertain world	28
3.8	Decreasing fragility.....	28
3.9	Staying small.....	29
3.10	Over-optimization.....	30
4	DESIGNING A BUSINESS MODEL FOR DAYLIGHT DREAMER SOCIETY ..	31

4.1	Guidelines regarding antifragility	32
4.1.1	Applying a barbell strategy	32
4.1.2	Minimizing downsides	32
4.1.3	Avoiding long term planning	33
4.1.4	Embracing redundancy	33
4.1.5	Avoid the survivor bias	33
4.2	Requirements and restrictions	34
4.3	Filling in the business model canvas	34
4.3.1	Customer Segments: Defining the target group	34
4.3.2	Defining the main value proposition	35
4.3.3	Customer relationships	37
4.3.4	Selecting the revenue model	38
4.3.5	Channels	38
4.3.6	Key partners	40
4.3.7	Key activities	42
4.3.8	Key resources	43
4.3.9	Cost structure	43
4.4	Final business model	44
4.5	Assessing the business model	44
5	IMPLEMENTING THE BUSINESS MODEL	45
5.1	Building the platform	46
5.2	Setting up the ads	47
5.3	3rd party sales channels & affiliate sales	49
5.4	Payments	50
5.5	Further steps	50
6	CONCLUSION	51
	REFERENCES	52
	APPENDICES	

1 INTRODUCTION

This thesis will look at web based business models and their implementation in order to design a robust and scalable business model for Daylight Dreamer Society which will be referred to as DDS in this thesis. This chapter will look at the history and aim of Daylight Dreamer Society and discuss the aims and methods of this thesis.

1.1 About Daylight Dreamer Society

Daylight Dreamer Society is a web based community and brand around a lifestyle of actively chasing one's dreams and personal development. Next to a basic forum and relevant articles and videos it offers tools to help people keep track of their goals and their ideas on how to achieve them. It also enables people to find other people who are aiming to achieve similar goals so that they can exchange ideas, tips, and experience. It can be found online at www.daylightdreamersociety.com.

1.2 History of DaylightDreamerSociety.com

DDS is the next iteration of a project that started out as Yumeyo.com. Yumeyo.com mainly offered the online tools to keep track of goals and tasks as well as functioned as a web based notebook. Earlier market research showed that positioning it as a tool made it too vulnerable to competition since there are productivity tools coming out all the time, especially since it has become easier to do so in the last few years.

Instead of positioning the product as just another tool the decision was made to shift the focus on promoting the lifestyle instead and build a community and a brand around it. This way it doesn't matter too much if other better tools come out in the future since DDS can even direct their community members to those tools as a favor since it is not the main value proposition of DDS. Instead it will act more like a mix of a social networking website and a niche magazine.

1.3 Goals and mission of DaylightDreamerSociety.com

DDS aims to promote and aid a lifestyle of actively chasing your dreams and continuous personal development. It aims to build both a brand and a community around this lifestyle and create a profitable business around it.

1.4 Target group

The target group of DDS consists of ambitious, self-directed individuals between 20 and 35. This group is being referred to as Daylight Dreamers by DDS. A daylight dreamer is someone who does not just dream while asleep but actively works towards realizing his or her dreams during his or her waking hours. It is someone who actively decides not to place his or her life in the hands of fate but actively takes charge of his or her destiny.

1.5 Purpose of this thesis

The purpose of this thesis is to examine how to design a robust, scalable, and mostly automated business model for DDS. Furthermore this thesis aims to gain insight in what elements are required for the successful implementation of this selected revenue model. The hypothesis is that you are not required to take a lot of risk nor need a huge start capital in order to start a scalable business.

1.6 Methods

This thesis will look at several case studies on successful web based businesses to see in which ways they generate revenues. It will also study literature on automatized business models and risk reduction in order to create a more robust business model. Taking these aforementioned points in account this thesis will proceed to settle on a revenue model for DDS and find out what is required in order to successfully implement it. This includes researching the possibilities to use ready made systems to

handle things like payment processing. Finally in the application part it will present a final business model for DDS based on the findings with the requirements for implementation.

2 BUSINESS MODEL DESIGN

This chapter takes a look at the design of business models as well as various business models employed by web based companies. It will present the building blocks of a business model and ways to minimize the costs of starting up a business. This will be done with the purpose in mind of exploring how to design a viable business model for DDS.

2.1 What are business models

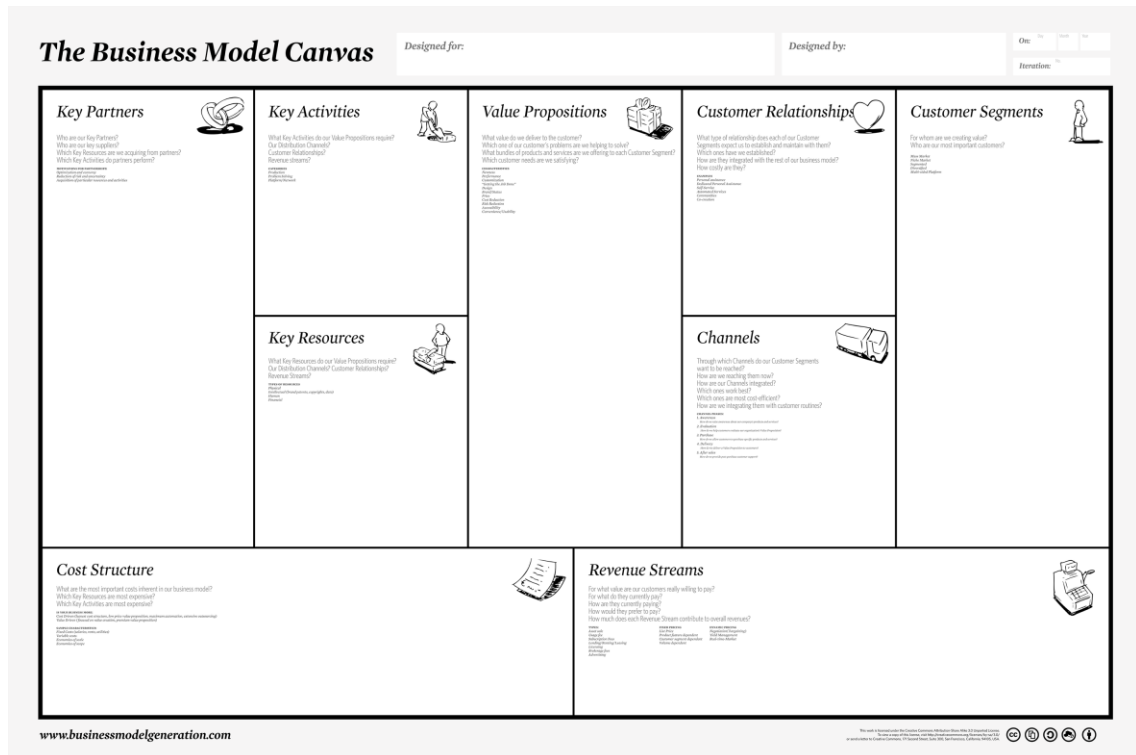
A business model is the blueprint that describes how a company creates, delivers, and captures value (Osterwalder and Pigneur, 2010, p.14). In other words it describes what a company does and how it makes money doing so. A business model covers four main areas: Customers, offer, logistics, and financial viability (Osterwalder and Pigneur, 2010, p.15).

2.2 Building blocks of a business model

According to Osterwalder and Pigneur a business model consists of nine building blocks that cover these four main areas: Customer segments, value propositions, channels, customer relationships, revenue streams, key resources, key activities, key partners, and cost structure. (Osterwalder and Pigneur, 2010, pp.16-17).

The nine building blocks can be represented in a design tool called the Business Model Canvas. The Business Model Canvas is a template that helps with the design of business models by making it easy to represent it on a single page.

Figure 1: The Business Model Canvas Template (Osterwalder & Pigneur, 2010, p.44).



2.2.1 Customer segments

This describes the group or groups of people a company serves. It is important to note that not all customer segments are necessarily paying customers. Take for example the free newspaper Metro which serves two main segments (Osterwalder and Pigneur, 2010, p.92). Commuters (the paper is freely distributed at public transportation hubs) and companies who pay to advertise to these commuters. Only one of the two customer segments is a paying customer yet both are necessary for the business model to work.

2.2.2 Value propositions

The value propositions describe what problems you are solving for the customer. According to Chris Guillebeau (2012, p. 42), author of *The \$100 Start-up*, the definition of value is "something desirable and of worth, created through exchange or effort". Or in other words, it describes how it helps people.

A value proposition is not the same as a list of features a product or service offers. It focuses on the why behind the what. When you offer a project manager application the value proposition isn't the list of actions it can do but increased productivity. When you offer massages you offer relaxation and recovery of sore muscles as a value proposition (Guillebeau, 2012, p. 42).

Function follows form in the case of value propositions. In the case of 37Signals, where ease of use is one of the core value propositions, the features of the product are designed with this in mind leading to products that have minimal features in order to get the job done instead of adding as much features as possible (Fried & Hansson, 2010, p.85).

Osterwalder and Pigneur present the following ways to create value (2010, pp. 24-25):

- Getting the job done
- Design
- Brand status
- Cost reduction
- risk reduction
- Accessibility
- Ease of use/ utility

The getting the job done value proposition comes down to "buy this service to get x done". This works well for business to business ventures like Rolls-Royce whose primary offer is to make sure its customer's jet engines are always working. Standing

out by ways of superior design can include the aesthetics of it; take Apple as an example, as well as the user friendliness as in the case of 37Signals. Displaying products of certain brands offers a way to show a certain status and belonging to a certain group. A Rolex signals that the wearer is wealthy. A relatively unknown skateboard brands signals to fellow skateboarders that they are part of the same subculture. Brands offer a way to buy into certain groups that share certain values and or lifestyles. For highly price sensitive audiences offering the lowest price for a certain service or good can be a good way to attract customers. However, using price as a main value proposition has implications for the entire business model. A good example of this is Ryan Air which offers low price flights which result in a very distinct experience for the customer. To support the low price fares there is a trade-off which means that the service is stripped down to the bare minimum and the customers have to do a lot by themselves including printing their own tickets. A way to create value is by helping customers to reduce costs by offering ways to get better results with fewer resources. Offering guarantees or insurances is a way to create value by risk reduction. Creating innovative ways to provide access to products or services which were previously unattainable or hard to get for the target audience allows you to provide value by increasing accessibility. (Osterwalder and Pigneur, 2010, pp. 24-25)

Offering a more convenient way to access a certain service either by easy to use processes or by use of location allows you to differentiate from your competitors. A vending machine located inside school hallways is an example of this. The availability outweighs the slightly higher prices than found in supermarkets and allows the company to charge higher prices as a result. 37Signals competes by making its products as simple as possible on purpose to maximize usability (Fried & Hansson, 2010, p.85).

2.2.3 Channels

The channels building block of a business model describes how value is delivered to the customer (Osterwalder and Pigneur, 2010, p.27). This includes communication channels, distribution and sales channels. These channels serve various functions. They are used to raise awareness, allow customers to give feedback on the value

proposition, allow for the service or product to reach the customer and provide the means to provide the after sales service. Channels can be subdivided into owned and partner owned channels. Using partner owned channels leads to lower margins but allows for a wider reach without requiring large investments.

2.2.4 Customer relationships

The customer relationship block describes what kind of relations are established with specific target groups. The goals of this establishment include customer retention, new customer acquisition, and up-selling (Osterwalder and Pigneur, 2010, p.28). The different types of relations that can be established range from personal to automated processes. Osterwalder and Pigneur (2010, p.29) mention various types of customer relationships. These are:

- Personal assistance
- Self-service
- Automated services
- Communities
- Co-creation

Personal assistance means that customers are able to get into contact with real customer representatives either by digital means or in person. This can either be general or dedicated where specific sales representatives are assigned to specific customers in order to provide a higher level of service.

With self-service the company provides the means for the customer to help itself. Examples of this are laundry places and car washes.

With the use of online profiles a more personalized service is provided which ultimately still relies on self-service. In this case the user information stored in the system is used to offer customized means. An example of this is Amazon.com which uses user information to show relevant products based on previous purchases.

Companies can create environments where customers can find each other and exchange tips and answer each other's questions. This works best when the customers are dedicated users of one or more of the company's services or products. It is also a logical extension of automated services which already involves a do-it-yourself approach of the customers.

In the case of co-creation the company works together with its customers to create value like Youtube (www.youtube.com). As a company it offers a tool for people to share and discuss videos, yet the appeal of the tool lies in the fact that it is full of content uploaded by the users. Without the millions of videos uploaded each year Youtube would not be able to attract as many viewers as it does and earn the revenues it now gets from the advertisements directed at these viewers.

2.2.5 Revenue streams

The revenue streams block of the business model describes the different flows of revenue of each customer segment. Osterwalder and Pigneur (2010, p.30) distinguish between two types of revenue streams: 1. Transaction revenues; resulting from one time transactions with customers such as the sale of a product & 2. Recurring revenues; resulting from ongoing payments as with subscriptions.

Osterwalder and Pigneur (2010, pp.31-32) present seven different ways to turn the created value into revenue:

- Asset sale
- Usage fee
- Subscription fee
- Lending/ renting/ leasing
- Licensing
- Brokerage fee
- Advertisement

Asset sale is the transaction of ownership rights in exchange for a fee; selling a digital or physical product. Payment can be based on the use of a service. An example of

this is a telecom organization which charges per minute someone calls using their network.

Subscription fee is a fixed periodical payment in return of access to a service, facility. Examples of this model are gyms who offer access to their facilities in return of a yearly fee and World of Warcraft, an online multi-player game that users can access in return for paying a monthly fee. Subscription fees can be combined with asset sales where a product such as a magazine is shipped periodically in return of a yearly payment. Subscription fees have the advantage of softening the psychological pain of paying by separating the payment from the consumption of the product or service (Thomas, Desai & Seenivasan, 2011). This benefits the perceived value of the service or product.

Another way to create revenues is by allowing the exclusive use of an asset for a limited time in return of a fee. This provides the lender with a continuous income while allowing the borrower to use a certain asset while only incurring temporary costs instead of having to put down a huge investment to acquire it while only needing it temporary. An example of this is ZipCar which allows people to rent cars by the hour whenever one needs it. This eliminates the need of purchasing a car which once owned is often only used for a small part of the time. (Osterwalder and Pigneur, 2010, p. 31)

Licensing means allowing the use of protected intellectual property in return of a fee. Revenue resulting from acting as a middleman in a transaction is called a brokerage fee. Examples of this are credit card companies and online payment systems like PayPal which get paid a percentage of each transaction they facilitate. Real estate agents get a fee for selling other people's houses. This type is used quite often on the web as well where it is referred to as affiliate sales. Affiliate sales are basically commission fees one gets for providing leads that lead to the sale of someone else's product or service. (Osterwalder and Pigneur, 2010, p. 32)

In the advertising method of capturing value the company offers visibility in return of a fee. This model was shown earlier when given the example of Metro, the free

commuter newspaper which makes its money from selling advertising space in its publications as well as being used by Youtube.

2.2.6 Key resources

The key resources block describes the resources which are essential in order to deliver the service or product the company offers. These can be owned by the company, rented or leased or be owned by partners (Osterwalder and Pigneur, 2010, pp. 34-35). Resources can be subdivided into four types: Human, intellectual, physical, and financial. Which of these four types is most relied on depends on the type of company. A manufacturer relies more on physical resources like the machines needed to produce the product it offers while a consulting firm relies more on human capital.

Not every industry relies to the same extent on human resources. While supermarkets need people to stock the shelves and man the cash registers these employees can easily be replaced and are not crucial elements of the operation. Knowledge based and creative companies on the other hand depend on highly skilled and knowledgeable employees in order to create value.

Intellectual resources are things like patents and protected trademarks. Brands like Nike heavily rely on the value of their brand in order to create value. Qualcomm, a designer of microprocessor chips, built its business around licensing their patented designs. (Osterwalder and Pigneur, 2010, p. 35)

Under physical resources fall assets like factories, physical stores, machinery, distribution networks, and cars. These resources often require large investments.

Financial resources can include cash or lines of credit. Some companies are built around the leverage of monetary funding such as venture capital firms or banks.

2.2.7 Key activities

The key activities describe the most important things a company must do in order to live up to its value proposition. It does not describe every single thing a company does, just those that are absolutely essential (Osterwalder and Pigneur, 2010, p.36). What these key activities are depend on the nature of the business. A software company has very different key activities than an ice cream manufacturer.

Osterwalder and Pigneur (2010, p.37) categorize the key activities into three separate types: Problem solving, production, and platform or network related activities. Network related activities can consist of making sure platforms stay operational. In the case of Youtube, its key activities consist of developing the platform (the website) and making sure the servers hosting the website stay running smoothly. It also includes actively approaching potential customers to sell the advertising space; this is the networking part of their key activities.

2.2.8 Key partnerships

Key partnerships are those that are essential to make the business model working. Partners can be responsible for both the key resources as well as the key activities. Reasons to rely on partners include risk and cost reduction by relying on capital intensive resources which would require huge investments up front to acquire, to expand the reach of the company by using existing channels already built and maintained by others, and to allow a company to focus on its core activities and specialize. Apple for example focusses mainly on the design and marketing of its products while outsourcing the production and distribution. (Osterwalder and Pigneur, 2010, pp.38-39).

2.2.9 Cost structure

In the final building block of the business model all the costs that the company incurs are presented (Osterwalder and Pigneur, 2010, p.41). By subtracting the costs pre-

sented in this building block from the revenues in the revenue streams block the profitability (or lack thereof) of a business model can be shown.

The different types of costs include fixed and variable costs. The first of which stays more or less stable regardless of the amount of customers served such as wages and rent, the latter depends on the amount of transactions. When selling digital products for example the variable costs are near negligible since the costs of duplication are close to zero so the cost structure is mostly based on fixed costs such as personnel wages and the costs of running the servers to host the website. Although, when using partner platforms these fixed costs can often be reduced to near zero as well. A self-employed writer can use platforms as Lulu (www.lulu.com) to publish and sell its books without any upfront investments other than the time it took to create the content.

2.3 Choosing the target audience

When designing a business model for a company that has yet to start it is recommended to start with the target audience and mind and then move on to the value proposition. Tim Ferriss (2007, p. 161) recommends starting by selecting a target group and then deciding on what to sell than the other way around since creating demand is hard while fulfilling existing demand is easy. With regards to the target audience he recommends choosing a niche segment. His main motivation for this is that it is easier to really fulfill the needs of a well-defined audience. In his words 'If everyone is your customer, no one is' (2007, p.162). For example targeting dog lovers is a hopeless venture since it is too wide and advertising to this market is too expensive and will set you up to compete against a lot of competition.

When deciding on the target audience Guillebeau (2012, p.78) recommends to segment on basis of passions, beliefs, skills, interests, and values instead of the more traditional age, location, gender, and income.

With regard to what niche to target Ferriss recommends targeting a specific group you as an individual are part of. This way one does not need to speculate about what

the needs and desires of the target group really are. Fried & Hansson (2010, p. 34) recommend a similar approach to deciding what product to offer for who. They recommend to ‘scratch your own itch’ when it comes to creating services and products. If something bothers you it will most likely bother others so fixing the problem for yourself will be useful for others as well.

2.4 Deciding on the value proposition

With the target group in mind the value proposition has to be formulated. Fried & Hansson recommend to focus on values that don’t change (2010, p.85). Their main value proposition revolves around speed and usability since it is unlikely that their customers wake up one day wishing for slower and harder to use software. Chris Guillebeau (2012, p. 47) gives a short list of things to focus on which stay consistent over time. According to him things that stay in demand over time are more money, acceptance, love, and free time. Furthermore people always want less stress, conflict, hassle, and uncertainty.

The next step is to figure out a way to deliver the value proposition to the target group. It is important to keep constraints in mind. Since this thesis focuses on creating a low cost, web-based, scalable, and robust business model it will now take a look at ways to keep the costs as low as possible.

2.5 Keeping costs down

With the digital revolution the means of production have gotten cheap and easily accessible allowing individuals to start companies with little resources while allowing them to compete with the bigger companies (Ellsberg, 2012, p.16). By making use of these cheap means of production small companies can start without a need for huge start capitals and don’t require them to take big financial risks or take money from investors. Fried and Hansson (2010, p.50) strongly discourage taking on money from

investors since it means giving up control. Furthermore investors often want a quick return on their investments which leads to an unnatural focus on short term returns rather than focusing on building a sustainable business. Raising funds distracts from the key activities as well. Their last yet not trivial reason for discouraging taking on investor money is that it is often a bad deal for the entrepreneur since they have very little leverage when they just start out. Should there be a need for start capital there are other more safe ways available nowadays (Guillebeau, 2012, p. 151). Online crowd funding platforms like Kickstarter (kickstarter.com) allow entrepreneurs to raise money by preselling the product or service. This way of raising money is right away a good way to test demand.

Fried and Hansson (2010, p.62) recommend starting companies to avoid mass such as long-term contracts or plans, expensive infrastructure. Instead they suggest designing the business model around minimal resources and forcing oneself to come up with creative ways to leverage this. Besides helping to keep the costs and financial risks down, it helps the company to stay flexible, making it easier to pivot if necessary and dive into new market opportunities.

One way to avoid mass without giving up possible reach is to leverage available platforms and tools offered by potential partners. For a company selling information websites like Lulu (www.lulu.com) and Amazon (www.amazon.com) can be used as key partners. These websites offer platforms on which to publish and sell both physical as digital books (Guillebeau, 2012 , p.71).

Furthermore by starting a web based company the need for a physical location with all associated costs becomes non-existent since even the hosting can be outsourced. Free tools like Wordpress (www.wordpress.org) can be used to create and host simple websites.

2.6 Web based business models

Nowadays anyone with an internet connection can start their own little business on the side (Guillebeau, 2012 , p.47). Either by selling products, digital or physical, of-

fering consulting services or even by running a blog and getting paid through advertising revenues. The reach of individuals has widened allowing them to reach a wider audience which opens up new niche markets which would have been too small to be feasible when restricted to a local area.

There are various ways to generate revenues for a web based company. These are mostly just new iterations of tried and tested models applied to the web (Rappa, 2010). Web based companies often use a mix of models. According to Professor Michael Rappa, director of the Institute for Advanced Analytics at North Carolina State University, there are at least seven types of online business models which are often used:

- Brokerage
- Advertising
- Merchant
- Manufacturer/ direct model:
- Affiliate
- Subscription
- Utility

In the online brokerage model a company offers tools or platforms in order to bring buyers and sellers together and facilitate the transactions in return for a transaction fee. This includes auction websites like eBay (www.ebay.com) as well as PayPal which offers an easy payment method which handles the financial transactions between buyer and sellers. A few other companies that use this model are Lulu (lulu.com) and Amazon (www.amazon.com) which both allow authors to publish and sell their work through their platform. Groupon (www.groupon.com) a website that allows consumers to benefit from scale discounts also employs this model. Another example of this is Apple's digital product store iTunes which allows application developers as well as independent artists to sell their apps and music.

Advertising on the web is similar to the way it is used in traditional media. Websites often offer a tool or content for free and sell advertisement space. This can be in the form of pay-per-click where the advertising customer only pays when someone actually clicks on the link in the advertisement or on a pay-per-views basis where a com-

pany pays a fee based on the number of times the advertisement is displayed. This is one of the simplest ways to monetize a website since the arrival of Google AdSense. Google AdSense allows individuals and companies to show the advertisements on their site that are sold by Google on a pay-per-click basis. A hobbyist blogger can just add a few lines of code to its website in order to start making some money out of it. Google's algorithms make sure that the advertisements shown are relevant to both the website and the visitor in order to insure the maximum amount of clicks. The revenue made from clicks on the ads on the website are split between Google and the owner of the web page. There is one major issue that makes this business model a risky bet if used in isolation: More and more people make use of Ad-Blockers. These are tools that the user installs to their web-browser which makes sure advertisements are not shown. According to the website of one of these Ad-Blockers (adblock-plus.org) their application has already been downloaded over 200 million times.

The merchant model is an online version of wholesalers and retailers which use their website as a sales point. These can either be entirely web based like Amazon.com which has no physical stores, or serve as an extension next to physical stores like the web store of Kanjon (www.kanjon.net) which is the web extension of the local skateboard shop in Pori, Finland.

The manufacturer/ direct model refers to producers directly selling to the end users, compressing their distribution channel. Examples of this are producers of digital goods such as software or e-courses directly selling their goods to customers (often with the use of brokers to facilitate the sales).

The affiliate model refers to decentralizing the sales point by offering a commission based on leads that lead to sales. Instead of just selling the product on one website, a company allows other people to promote their product or service for them. A company can be on either side of this transaction. One can make a business of promoting other people's products and making money of the commission. Review websites are a good example of this, they help customers choose the right product out of a wide variety of choices, and get paid when people make their choice regardless to which of the many different retailers they are referred to. This model reduces the risk of the affiliate partner doing the promotion since they do not need to maintain any stock or

deal with the distribution and the logistics of it. A simple review website can be hosted for free on blogging platforms like Wordpress (www.wordpress.org).

The subscription model is similar as mentioned in chapter 2.2. Users pay a periodical fee to use a service. Often this is used in the form of a freemium model where a basic limited version of a service is available for free, displaying advertisement. Examples of websites employing this business model are Spotify.com (streaming of music), 37Signals (web based customer management tools), and Amazon.com (with subscription based access to their e-books).

The utility based online business model comes down to the pay per use model. This is often seen at web journals which charge a fee for each online viewing of a research paper in their database. Amazon also employs this model with regards to streaming episodes of TV series and movies where the customer can opt to pay per streaming. Skype offers cheap phone and video calls through their internet based software which charges per minute.

As you can see some websites have been mentioned multiple times since they use a mix of these models. The Berrics (www.TheBerrics.com) for example provides free content and shows advertisement next to selling products as an online retailer. Amazon works as an online retailer as well next to acting as a broker between authors and readers with its publishing platform. Amazon also employs the utility and the subscription model.

2.7 Evaluating business models

The most realistic way to evaluate a business model is by putting it out in the real world. As will be shown in the next chapter a flexible approach is recommended which depends on testing whether or not it works by putting the business out there and see if it works. Hansson and Fried (2010, p.90) recommend launching the product or service offered as soon as possible and to make changes to both the product or service and the business models based on the feedback gathered while operating.

3 ANTIFRAGILITY

This chapter takes a look at the theory regarding the creation of a stable strong robust company. It will look at what factors make a company able to thrive in the unpredictable real world where many factors are outside the control of the business owners such as government regulation changes, natural disasters, and market conditions. It will also focus on the (un)reliability of predictions and the downsides of long term planning.

3.1 What is antifragility

Antifragility is a term coined by statistician, essayist, philosopher, scholar and former derivative trader Nassim Taleb. Antifragility indicates the opposite of fragility. It refers to systems that benefit from disorder and exposure to stressors. This is not the same as simply robust which refers to a degree of being unaffected by shocks. A fragile system breaks when exposed to irregular shocks; a robust system is unaffected while an antifragile system actually thrives on it (Taleb, 2013, p.5). Something that is antifragile exists in a position of a fundamental asymmetry where there is more potential upside than downside in an uncertain situation (Taleb, 2013, p. 427).

Antifragility is a property of things that change with time including evolution, political systems, cultural and economic success, and corporate survival (Taleb, 2013, p.6). It also determines the boundary between living and organic like the human body or culture and those things that are inert objects like rocks and furniture (Taleb, 2013, p.4). More precisely it is the difference between complex and non-complex systems since culture, corporation and the like aren't exactly biologically living entities but still evolve and change (Taleb, 2013, p.56).

An example of an antifragile system is our body. Exposure to germs benefits our immune system while a lack of it weakens it. The same applies to the strength of our muscles and bones which benefit from irregular exposures to stress and weakens from the lack of it. (Taleb, 2013, pp. 56-57). When it comes to our diet our health benefits from a healthy dose of variation and randomness, both is the kind of nutri-

tion we take in but even bouts of hunger and overeating from time to time benefit it. (Taleb, 2013, pp. 366-368). The same applies to economic systems. A little economic turbulence is good for the system. Small businesses starting and failing all the time help to create a more resilient overall economy. (Taleb, 2013, pp.74-75) Paradoxically the antifragility of the economy is a result of the fragility of its parts. The failure of individual companies secures the antifragility of the economic system (Taleb, 2013, p. 80).

Just like objects and systems are only robust - immune to shocks - to a certain extend so are systems antifragile up to a certain extend. Relatively small shocks benefit the system but too large ones are harmful. Back to the example of our body, small shocks make it stronger, big shocks break it. (Taleb, 2013, p.54)

Studying antifragility becomes useful when we try to understand how to deal with uncertainty and risk in unpredictable environments. Since antifragile systems benefit from randomness and unexpected shocks to the system, designing antifragility into our institutions and corporations helps them to thrive in a largely unpredictable real world (Taleb, 2013 p.4).

3.2 Black swans and the unpredictability of real life

Black Swans are unpredictable irregular events which have a massive impact for the involved party. This event is often unpredictable to a certain party which is the one who ends up suffering the consequences (Taleb, 2013, p.6). This party is referred to as a turkey after the animal that gets fed every day for months and taken care of until thanksgiving when it is butchered. Thanksgiving is the black swan event, up to that point the turkey has lived with a false sense of security. Every new day nothing bad happened made the belief it was safe stronger even though this was not the case in real life. The Black Swan event was totally unpredictable for this turkey (Taleb, 2013, p. 429).

A cause for us falling prey to Black Swans events is overconfidence in our ability to predict events in real life. The Ludic Fallacy is one of the causes of this. The Ludic Fallacy is to mistake carefully structured lab experiments, mathematical problems and even the randomness we encounter in casinos with the real world (Taleb, 2013, p.429). When we make risk assessments and start to assign probabilities to events we are likely to be wrong simply because real life situations are far more complex. This complexity is underestimated because of the opacity of the situation. We lack perfect information. The more information we gather the more secure we become but this does not make us less likely to be a turkey. Every new day the turkey gets fed by the butcher adds to its knowledge that the butcher is a nice guy, until thanksgiving comes around. Taleb (2013, p 423) gives the example of playing Russian roulette when you do not see the barrel. Some things remain opaque to us which leads to illusions of understanding.

Black Swan events can be both positive and negative depending on your position. Breaking through as a writer while only a small percentage of all published books take on most of the sales is a black swan event as well, albeit a positive one.

An example of a recent Black Swan was the financial meltdown in 2008-2009 leading to the bankruptcy of banks deemed too big to fail. No economist could have accurately predicted it since by definition an unexpected event is unexpected. The people making predictions about the economy before the event were dead wrong, they could not have been right. Taleb (2013, pp.133-134) recommends that rather than jailing the people making a living from making predictions, which basically comes down to fraud since it is pure guessing whether or not the predictor in case is aware of it or not, to stop asking for predictions. The jailing might seem a bit harsh yet it has to be said that the people making the predictions are largely responsible for the false sense of security on which large investments are placed. Taleb's main point is to stop relying on predictive models and look for a better way to make our decisions. Taleb (2013, p.429) recommends looking at nature to get a better sense of real risks. Natural risk management is the belief that Mother Nature has a better track record than any human predictions. Time is the best proof. For example, products that have existed already for thousands of years like coffee will most likely be still around a

thousand years from now. With regard to market demands, old boring products and services have a much safer track record than the newest fad.

3.3 Survivor bias

Survivor bias comes into play when we try to predict how likely something is to either succeed or fail as well as mislead us into thinking we identified the crucial elements for success. Survivor bias means we tend to just notice and focus our attention on those who succeeded and ignore all the cases that failed (Burkeman, 2012, pp. 135-136). For example when we look at the character traits of the leaders of successful companies we fail to notice that there are enough people with the same traits who failed. When broadening the scope to include huge failures as well as huge successes it becomes clear that certain character traits that are present and maybe even necessary for big success are the same traits present in the biggest failures (Burkeman, 2012, p.134).

3.4 Mediocristan vs. Extremistan

With regard to the predictability and riskiness of environments Taleb (2013, p. 433) refers to two different spheres: Mediocristan and Extremistan. Mediocristan refers to a process ruled by the mediocre with very few extreme successes or failures. An example of this is the profession of dentistry; a fairly safe job with both minor ups and downs.

Extremistan on the other hand refers to processes ruled by the exceptions where the distribution of success and failure is extremely skewed. An example of this is the world of published books where a small percentage of the books take on most of the market share. The same applies to the internet where a few websites are responsible for most of the traffic. Operating in this sphere is very much a hit or miss business with either huge profits or losses. Especially in Extremistan situations the survivor bias plays a strong role in causing overconfidence. People read about Google, Face-

book, and the guys behind Youtube and use it as case studies how to be successful on the web while we don't hear about those whose companies went bust and might have had very similar traits.

3.5 Via Negativa

The most accurate way to determine whether something is indeed a crucial factor for either success or failure is by looking at what does not work. You can be more certain about what is wrong than about anything else. This is an application of Via Negativa; an approach in philosophy where the focus lies on what something is not. In complex systems we might not be certain what exactly the crucial replicable success factor is yet we can be surer about what makes something go wrong. This subtractive knowledge, learning by seeing what does not work, explains how the failure of small companies helps to stabilize the economy in general. Startups are experiments, those that fail 'teach' the economy what does not work. The same goes for life in general which derives its antifragility from a similar tinkering around. Small variations are introduced into the system which either work or not; if not the individual specimen is taken out. In the case of life this antifragile tinkering is called evolution while in markets it is called creative destruction. (Taleb, 2013, p.432).

3.6 On business plans and predictions

When it comes to making predictions about revenues and writing business plans Jason Fried and David Hansson (2010, p.19) remind us to stay realistic and call them what they are: guesses. In their words: "Unless you are a fortune teller, long term business planning is a fantasy". Besides the point that your plans are based on a false sense of understanding of the market, sticking to plans may lead you to miss opportunities that come along the way. These are by the very nature unpredictable. For a company to thrive in an uncertain environment it needs to stay flexible and able to react quickly.

Taleb recommends a similar approach when he recommends a strategy of adjusting as you go based on new information. He refers to this approach as being a rational

flâneur; someone who makes decisions at every step instead of planning every step ahead like a tourist who then becomes a slave to this plan (Taleb 2013, p.170).

The purpose of the rational flâneur approach is to avoid the teleological (teleo means “the end”) fallacy. Acting based on the illusion that you know where you are going to end up. The teleological fallacy fools you into thinking that you know today what your preferences are tomorrow and next week and into thinking the same applies to other people. This may lead to a false security in predicting market trends since it assumes a consistency in taste of the consumer which may change at any point.

The strength of Apple Computers’ former CEO Steve Jobs lay in his strong distrust in market research. He did not rely on asking people what they wanted based on the conviction that people don’t know what they want until you show them (Taleb, 2013, p.171). The more research is done to find out what customers want the bigger the false sense of understanding the market becomes. A better way is to test in practice whether people want something or not by actually offering it and see whether or not they buy before making huge investments.

Tim Ferriss (2007, pp.181-185) recommends a similar approach when he advises people to test the market by throwing a small sum of money towards testing your assumptions. Create the landing page, buy the ads even before you have the product and see whether people click through to the check-out page which indicates a willingness to buy. This is a safer way than asking people whether they would or would not buy. It also allows you to call off the venture with minimal losses if it doesn’t work and allows you to move on to the next opportunity.

Taleb (2013, p. 171) recommends a strategy of optionality. Optionality refers to a non-committal strategy where you are free to act on certain options but are not tied to it. This allows you to benefit from uncertainty without the harm of the negative side of it.

Taleb (2013, p.234) warns about strategic planning which big corporations seem so fond of. So far there has been no evidence that strategic planning works while there is evidence against it. William Starbuck published papers debunking the effective-

ness of corporate planning. The biggest problem with strategic planning is that it makes companies option blind and locks them into a non-opportunistic path.

3.7 The Barbell Strategy, thriving in an uncertain world

So far it has been shown that predictions are most likely to be wrong and we can't rely on prediction based risk management. It has also been shown that market research and long term business plans have very little validity and might even lead to failure due to too high investments into one course of action based on a false sense of understanding and control of the market which excludes opportunities popping up. In order to thrive in such an environment Taleb (2013, p.428) suggests using a barbell strategy. A barbell strategy is a dual strategy of operating simultaneously in both Mediocristan and Extremistan while avoiding the miDDSe ground. It is a strategy that combines two extremes; one extremely safe with both low ups and downsides and one that is hit or miss. An important note is that these two strategies should be kept separate from each other such that the failure of one does not affect the other (Taleb, 2013, p.161). The example given by Taleb is of an author having a stable 9to5 job while working on his writing in the evening. The job provides a stable income while still keeping the window open for a positive black swan event which would be one of his books breaking through. The writing operates in Extremistan while the day job is a Mediocristan environment.

Ideally a Fundamental Asymmetry is created where the party has more upside than downside of a situation (Taleb, 2013, p.427). In the case of the writer, if the books do not sell he will have only lost time and effort but won't be on the streets. Should one of his books take off, an unlikely situation in that environment, he will benefit greatly. The upside greatly outweighs the downsides.

3.8 Decreasing fragility

Taleb (2013, pp.159-160) states that in order to create antifragility the order is important. There is a big difference between getting a kidney replacement operation and then getting the anesthetics than the other way around. The first step is to minimize

possible downsides and exposure to negative Black Swans before increasing possible upsides. This is important because of the irreversibility of damage. A glass that breaks doesn't magically repair itself when the conditions are right.

Nature favors redundancy. We have two lungs and two kidneys even though we just need one. However, even though the chance of lung or kidney failure is small, the effect of it is large. The failure is a Black Swan against which evolution has protected us by means of redundancy (Taleb, 2013, p. 45).

3.9 Staying small

A strategy of non-committal optionality requires small investments to avoid locking into non opportunistic fixed course of action. Jason Fried and David Hansson (2010, p. 22) warn about putting too much emphasis on growth as a company. Growing the size of infrastructure and increasing the amount of people turn the company in a much more complex system which brings in a lot of stress plus increases the fragility of the company. Instead of focusing on sheer size of the company it is better to focus on increasing profit instead which does not always require a bigger infrastructure or more people.

When business owners need to tackle problems with less resources it forces the business owners to come up with creative and effective solutions (Fried & Hansson, 2010, p. 67). There is also the difficulty to scaling down after taking on more personnel than you need and having more machinery and rented space than necessary as a result of a failed project or overestimated demand. This creates a serious liability. Keeping things as small as possible helps to create a less fragile company as while scale does bring some economic benefits as long as production capacity is optimally used, the risk is hidden out of sight. The costs can't be reduced easily when revenues fall (Taleb, 2013, p.279).

Fried and Hansson (2010, pp. 53-54) urge entrepreneurs to ask themselves whether they really need things or that they just think they do. This goes for personnel, fancy offices, huge sums of start capital, manufacturing facilities etc. The main premise is

that they need less than they might think once they step back a bit and look for alternative ways to achieve the same end result. Instead of hiring an office a room back home could be used, instead of building a factory an outside manufacturer could be hired, instead of creating an IT department outside helpdesks could be used etc. This approach forces entrepreneurs to be more effective and helps to fight bloated infrastructure.

Using the services of other companies where possible, be it in accounting, storage, manufacturing or even customer service and logistics might not be the most cost effective thing to do but it does make the company less fragile since it makes it easier to either scale up or down depending on the demand. It allows for sudden increases in sales without more fixed costs and a reduction in overhead when demand is low.

3.10 Over-optimization

Even though smaller more effective processes are often more robust there is a risk in over-optimization. Optimized efficiency comes at the price of fragility as the more lean and interlocked a complex system becomes the faster the failure at one point cascades throughout the entire system.

The planning fallacy comes down to it that projects always tend to take more time and cost more than expected. It is caused by an overconfidence in the time it takes to complete a project. This is largely due to the fact that time can't be negative and that systems are more and more interlocked. Delay in one part cause a cascade of delays along the line (Taleb, 2013, pp. 284-285). It is not just the interlocked and complexity of the system that causes delays. Paradoxically the increased focus on project management itself is partly to blame by making plans too streamlined causing more potential fail points.

The planning fallacy seems to be a recent phenomenon. In the past large projects were completed without large overruns in cost and time. This could be explained by the fact that these were more local. Nowadays the world is more interlocked and resources come from all over the world. A small delay somewhere along the line soon

causes a whole chain of delays. Since the system is more complex it becomes harder to get a good idea how long something will actually take since there are so many things that can influence it. A broken power line in Asia can cause delays in the factory in America which is waiting for a shipment of materials. A war breaking out in an oil rich area can cause the transport cost to rise quickly. Generally the costs of global disasters are about three times higher today than they were in 1980 (Taleb, 2013, p.286). The cause of this is the increase in efficiency which leads to small upsides when things go smoothly but carry bigger costs when they don't.

The stock market crash of 2010 was largely due to the replacement of human stock traders by more efficient computer programs (Taleb, 2013, p.287). Human traders tend to make mistakes, but these are distributed and contained, computer programs built for efficiency have a tendency to go wild and can cause as seen in 2010 major problems. Minor visible benefits that the computer programs carry come at the price of massive hidden risk. Here the Fundamental Asymmetry mentioned earlier is seen again with regard to fragility. It created a situation where the potential upsides are outweighed by the possible downsides. However since the small upsides are often visible while the risks are hidden companies tend to create these situations for themselves.

Fried and Hansson (2010, p. 125) recommend to break estimations up in smaller parts since we are so bad at estimations of how long something will take and how much something will cost. The larger the project, the more off we will be with our estimations. Estimating smaller chunks allows us to be more accurate since we'll be less far off per step.

4 DESIGNING A BUSINESS MODEL FOR DAYLIGHT DREAMER SOCIETY

This chapter will look at the application of the theory presented in the previous two chapters. This will be done by distilling guidelines for the final business model re-

garding antifragility as well as by using the business model canvas to design a business model for DDS.

4.1 Guidelines regarding antifragility

Before looking at the various parts of business model canvas and starting to design the business model for DDS, it is important to know which points to keep in mind in order to make sure the final model is as antifragile as possible. Based on the theory in chapter 3 the following guidelines can be distilled:

4.1.1 Applying a barbell strategy

DDS is a web based company which means it operates in the Extremistan environment of the internet. As mentioned in the previous chapter, in Extremistan environments big successes are fairly rare. A minority of the websites generates the majority of the revenues and is responsible for the majority of the traffic. Extremistan environments have the advantage of offering huge potential upsides yet carry the downside of this being highly unlikely. Even when success is achieved it will be a large part dependent on luck and good timing.

For an entrepreneur this means that it is highly recommended to apply the barbell strategy described in chapter 3.7. In the case of a starting internet company like DDS this means taking a part-time or full time job while setting up the company in the weekends and evenings. This influences the business model since it requires the business to be designed so that it takes only a minimal amount of time to maintain. Scalability and the ability to automatize are important factors to keep in mind.

4.1.2 Minimizing downsides

Since the chance of success is fairly small it is recommended to keep the investments into it as low as possible as long as the company has not taken off yet. By doing so the potential downsides are minimized. For the business model this means it cannot

rely heavily on expensive resources. The advice of avoiding mass must be followed strictly. Heavy use of partner channels and tools are a way to minimize investment and allow for non-committal strategy.

4.1.3 Avoiding long term planning

Since predictions are highly unreliable, especially in an Extremistan environment, they should not be relied on. Instead of using predictions to base plans on, a rational flâneur approach should be taken which means using short term plans and changing these as one goes along based on direct feedback. Use a *via-negativa* approach to find out what works best by trying out small scale experiments with new features and possible revenue streams and quickly discarding what doesn't work.

One should avoid making any predictions about the size of possible revenue streams as well since these are highly unreliable. These predictions might be needed when trying to attract investors, yet taking on outside money is discouraged anyway. Instead the focus should lie on keeping costs low and creating new revenue streams by experimentation.

4.1.4 Embracing redundancy

In order to maximize optionality and minimize potential downsides redundancy should be built into the business model. This translates into making sure not to rely on a single source of revenues as well as using multiple sales and communication channels. When one fails the others are still there. Interdependence of parts should be avoided as much as possible so that the failure of one part does not affect the other parts.

4.1.5 Avoid the survivor bias

Beware of just mindlessly imitating the business models of the few successful companies on the web. Just because it worked for the few big internet companies that are

around nowadays doesn't mean the model is the key behind their success since plenty of companies that didn't make it used similar models.

4.2 Requirements and restrictions

Based on the guidelines laid out in the paragraphs above and the constraints of DDS the following guidelines and restrictions must be kept in mind when designing the business model:

- In order to be able to apply the barbell strategy the key activities of the company cannot take much more than eight to twelve hours a week since it has to be run by a single person next to holding a full time job. The model should be largely automatable.
- The set-up costs must be kept low (under a thousand euros).
- It should be easy to implement quickly.
- The model has to be scalable. In other words there has to be a potential for a huge upside while minimizing the potential downside.
- It has to be built around an online platform (DaylightDreamerSociety.com).

4.3 Filling in the business model canvas

This chapter will now proceed to fill in each of the nine business model canvas building blocks with these guidelines in mind. The first of which is the customer segments building block. As discussed in chapter 2.3 it is recommended to use the target audience as the starting point of the business model and to design the value proposition and other blocks around this.

4.3.1 Customer Segments: Defining the target group

DaylightDreamerSociety.com revolves around creating a community around like-minded people and building a business around it. It will target a niche market of which the founder is part of, as recommended in the theory. The segmentation will be done based on similar values and lifestyle. So what is this niche target audience exactly?

The niche target group DDS focuses on is Daylight Dreamers. A Daylight Dreamer is someone who matches the following profile:

- Strong desire to take control over his or her life.
- Strong sense of responsibility.
- Well read & smart: Desire to improve oneself and keep learning.
- Strong sense of how precious and short life is and a matching desire to make the most out of it.
- Ambitious: Wants to leave a mark on the world.
- Has clear goals and/or dreams he or she is actively working towards.

In short: A Daylight Dreamers is someone who has an active commitment to achieve one or more personal goals and actively looks for way to improve him- or herself in order to increase the chance of success.

Furthermore the target audience falls into the age group of 20 to 35 and is fairly at home with using the internet.

4.3.2 Defining the main value proposition

Now the customer segment has been defined it is time to define the main value propositions. The main question to answer in this regard is: What can DDS offer this customer segment?

In the theory part of chapter 2.4 it has been shown that it is wise to formulate the value proposition around values that don't change too much over time. To recap these values are: More love, free time, acceptance, and money and less stress, conflict, hassle, and uncertainty.

DDS can focus on the less stress, more free time, and less hassle. It can do so by offering a platform where people can easily find people who are chasing similar goals and offer tools to keep track of these goals and the progress towards achieving them.

This results in less hassle. Furthermore DDS can offer content with tips regarding productivity which helps the customer to get more free time.

Another way to look at it is as followed: DDS is a community of ambitious individuals who are dedicated to making their dreams a reality. DDS can offer support in this by helping people to stay focused and motivated as well as help them boost their productivity so they can get more done in a shorter time. Furthermore DDS can help people figure out how to realize their dreams by making it easier to find other people who are chasing similar goals so they can exchange tips and experience.

In short the main value proposition is this: DDS helps people to stay focused on their goals and to realize their dreams.

The features and services the company offers are a function of this value proposition. They include:

- A forum for people to discuss their goals and challenges
- Web based tools to keep track of their goals and steps towards it
- Articles with tips on productivity and motivation
- Book recommendations and books written by the founder on productivity etc.

On top of this DDS could offer one on one coaching sessions, helping people to figure out what they want to do with their lives and how to achieve it. It can be a form of direct support. This does not fit into the requirement of scalability but it does operate in a more stable Mediocristan environment and could be used as part of the barbell strategy to bring in revenue besides the web based business. Web based tools like Skype video calls can be used to service customers over a longer distance. These coaching sessions are a form of ‘getting the job done’ value proposition.

As the platform grows and the philosophy and lifestyle around DDS starts to gain more popularity the label of Daylight Dreamer can turn into a way of displaying one’s identity. At this point it can start offering brand status/ identity.

4.3.3 Customer relationships

Customer relationships with regards to DDS will make use of the following types mentioned in the theory of chapter 2.2.4:

- Self-service
- Community
- Co-creation

Self-service will apply to the sale of books and merchandize on the website. The sales process will be largely automated. The free tools offered by DDS to keep track of one's goals and tasks are also a form of self-service since DDS offers the means which the customer can use to help him or herself. This also applies to the value proposition of helping people to connect to people who are chasing similar goals. The website will offer the tools for this but it is up to the customer to use these and send out a message to these people when found.

The next major form of customer relationship is community. DDS offers a platform where people can exchange tips and experiences through the means of a forum. The main function of the forum is to bring the people together to a place where they can find likeminded people who can help each other.

The last form of customer relationships that shall be used is co-creation. This partly feeds into the previous method. Through the forum people can share tips and experiences, thus creating useful content for their fellow users. Besides that the website will feature articles and blogs which visitors of the website can choose to contribute to. In return of the content creation there will be a link back to the blog or website of the contributor. With this the users become key partners.

At the moment the customer relationship type of personal assistance is not an option right away. This is because it is not scalable and takes too much time so it does not fit the requirements. However, as mentioned before, one on one coaching might be a feasible additional revenue stream. If this is added personal assistance will be one of the types of customer relationships used by DDS.

4.3.4 Selecting the revenue model

With regards to the selection of a revenue model the guideline about having independent revenue sources in order to decrease fragility needs to be kept in mind. DDS will use a mix of various ways of generating revenue taken from chapter 2.2.5 and 2.5. These are as followed:

- Advertising
- Asset sales/ direct model
- Affiliate sales
- Usage fee

The website will show advertisement on a Pay-per-Click basis at the start. Once the website gains more traffic advertising space will be rented out on a pay-per-views basis as well. The pay-per-click ads will be implemented using Google's AdSense as described in chapter 2.5.

The website will also employ the asset sale based revenue model. It will sell books and courses as well as merchandise. It will do so through 3rd party sales and publishing platforms which will be embedded into the website. More on this in can be found in chapter 4.3.5.

Through the book recommendations the affiliate model will be implemented. Book reviews will be posted on the website with links to the place where these books can be ordered. For every referral that leads to a sale DDS will receive a small percentage of sales commission. At a later time personal coaching will be added to the offered services which operate on the basis of a usage fee, in this case a fee per hour.

4.3.5 Channels

This part of the thesis will take a look at the various channels that will be used by DDS in order to service its customers and deliver the value proposition. It will dis-

cuss the sales, communication and distribution channels. The following channels will be used:

- Main website: www.daylightdreamersociety.com
- Facebook page
- Youtube channel
- PayPal payment system
- Amazon (www.amazon.com)
- Lulu (www.lulu.com)
- Skype
- Postal services

The main channel which will be used for DDS is the website itself: www.daylightdreamersociety.com. The website will be used to distribute content such as the relevant articles as well as offer the tools and forum. Furthermore it will feature the book recommendations with the links to the affiliate partners and serve as a sales platform for DDS's own products such as books and merchandise.

Next to the main platform, which is the DDS website 3rd party platforms will be used as additional channels. Publishing and sales platforms offered by Amazon and Lulu will be used to handle the sales and distribution of the books offered by DDS. Both through embedding the buy-now button into its own website as well as featuring the books on the web stores of Lulu and Amazon. This way the reach of the products is increased plus from the perspective of DDS the entire sales and distribution of the books is automated/ outsourced.

With regards of the sale of merchandise brokerage channels to handle the sales like PayPal have to be used to handle the payments and postal services used to deliver the products. Once the sale of merchandise reaches a sufficient threshold the distribution and storage can be outsourced to fulfillment companies. PayPal is also used to receive the payments from the 3rd party partners such as Google AdSense and the Amazon sales.

Communication about the value proposition as well as delivering it through content will be done through 3rd party platforms like Facebook and Youtube. Video material

uploaded on Youtube can be used on the main website and articles posted on the main website can be shared on Facebook. This will be done in order to increase the reach of the company. The coaching services will be offered through the channel of Skype video calls.

4.3.6 Key partners

In order to make the business model as described so far to work there are partners needed in seven different categories. These are:

- Infrastructure
- Sales platforms
- Advertisement
- Suppliers
- Content
- Affiliate
- Communication

In order to run the website there are two partners needed. The first is a web host which offers the use of their servers in order to run the website on. Currently the web hosting for Yumeyo.com (the predecessor of DDS) is provided by a Belgian company called 123-webhost. So far the services of this hosting company have been good so this one will also be used to host the new DDS website. Secondly one needs a domain name and a company offering the service of managing it. What this company does is make sure that the domain name, for example yumeyo.com, is connected to the servers which host the website. For this a company called domainmonster.eu is used.

In order to sell and distribute digital and traditional books DDS will make use of the publishing and sales platforms offered by both Amazon.com and Lulu.com. These companies both offer access to their manufacturing, sales, and distribution network they have set up. These companies allow DDS to sell its products both in their own web stores as well on its own website through the use of an easy to install button. Once a customer clicks on the ‘buy now’ button the customer will be redirected to

the checkout system offered by these partners and they will handle the printing of the books and the delivery of it.

The advertisement will be provided through Google AdSense. Google will provide the advertisements which it sells through its AdWords department. In order to gain this partner an AdSense account has to be made and an agreement with Google has to be made. This is all fully automated. Once signed up the code to display the ads on the webpage can be copied into the website's main code.

DDS will need a supplier for the merchandise. Ideally this is one that offers both the materials and the printing services and also delivers it to the customer. However, currently DDS is still looking for this supplier. The sale of merchandise will be implemented at a later time after implementing the other revenue streams first. This means that finding thing supplier is of low priority at the moment.

In order to be able to offer more relevant content as well as increase the reach and awareness about DDS it will offer a content exchange with people running blogs that target a similar target group. These bloggers will allow DDS to publish their articles on its website in return of referring its visitors to the website of the contributor. The contributor has more incentive to refer its readers to the DDS website as well since having one's content featured in other places increases the credibility and fame of the author. Currently these partners still have to be found. Reaching out to potential content creation partners can be done either personally or automated by offering the feature on the website to send in content for consideration. Being strict about which content to feature on the website is important in order to maintain a high quality standard.

In order to make money through the book reviews / recommendations an affiliate partner has to be found. Luckily Amazon.com offers affiliate programs which can be signed up to. Once signed up the code to embed the buy now button on the DDS website can be copied into the main code of the website.

With regards to communication the key partners are Facebook and Youtube. Both offering a platform which DDS can use to reach out to potential customers and keep

in touch with current customers. Once one on one coaching is offered then Skype might be considered a partner as well.

To recap the main partners are the following companies:

- 123-Webhost
- Domainmonster
- Amazon
- Lulu.com
- Facebook
- PayPal
- Youtube
- Google
- Skype

Individual bloggers will be added to this list in addition to the companies mentioned above once suitable candidates have been selected. Currently there are a couple of bucket-list bloggers on the radar which will be contacted soon. It may be noted that all partners have in common that working with them doesn't require heavy commitment like upfront investments or long-term contracts. Using these allows DDS to keep its own mass and costs low and maintain optionality.

4.3.7 Key activities

In order for DDS to deliver its value proposition there are a few key activities it must perform. These are:

- Platform maintenance
- Content creation
- Networking
- Problem solving

Platform maintenance involves making sure the website keeps running and the development of new tools to offer on it. It also includes keeping an eye on the users; making sure they don't post spam or violate the terms of conditions by abusing the

system. Content creation is a large part of the work. Content has to be created for both the articles featured on the website as for the books and courses to sell. Networking is mainly about reaching out to new potential partners for the content creation. The more good content creation partners are acquired the less work the content creation will take. Problem solving will become a main activity once the one on one coaching sessions will be offered; helping customers to figure out ways to achieve their goals.

4.3.8 Key resources

According to theory in chapter 2.2.6 there are four types of resources: Human, physical, intellectual, and financial. Since DDS is starting on a shoestring budget the financial type of resource is not relevant but the other three are.

The human key resources DDS will have include the partners that provide the content. It also includes the founder itself which will provide the majority of the content, maintain the website, and will be the one offering the coaching session. Once DDS has gained some awareness among the target group the label of Daylight Dreamer might become an intellectual resource. By that time the name needs to be legally protected. Physical resources include the website as well as the platforms offered by the key partners. These partner channels make up a large part of the key resources.

4.3.9 Cost structure

By using the partner channels DDS is able to start with very low fixed costs. The other variable costs only occur when a sale is made. The cost structure for DDS will be as followed:

Fixed costs for the first year will consist of payment for the web-hosting and the domain name. This will cost around 50 euros (€10/year for the domain name + €40/year for the web-hosting).

The rest of the costs will be variable and only occur once a sale is made. Since merchandise won't be added in the first year yet, the variable costs only consist of a certain percentage of the sales price on each book or other product sold through the sales channels of 3rd party partners.

The only other costs are the hours put in by the founder in order to execute the key activities. However since a barbell strategy is applied and the founder works full time next to it these hours don't require a payment of a salary yet. The income generated will be the salary of the founder after deducting the costs.

4.4 Final business model

DDS will offer a platform offering tools that help people to stay focused on their goals and connect with other people that are working on similar goals to exchange tips. The website will also offer useful content regarding boosting one's productivity and motivation in the form of articles and book recommendations. The book recommendations are part of an affiliate program of where DDS earns a small commission each time someone buys the book after clicking on the link under the book review on the website. The website also will display advertisement and sell books written by the founder of DDS on similar topics as the articles. Once the website is up and running and has built a name for itself merchandise will be sold through the website as well. One on one coaching sessions in return of an hourly fee will be offered at a later stage as well. Figure 6, which can be found in the appendix, shows the business model canvas filled in for DDS.

4.5 Assessing the business model

The final business model will now be assessed using the guidelines and restrictions laid out in chapter 4.2 to see whether the model complies with them. The following guidelines and restrictions were laid out for the design of the business model for DDS: It had to be built around the online platform, easy to implement, require a low investment, be scalable, and the key activities should not take more than 12 hours a week.

The model has been designed around the online platform. The revenue streams depending on 3rd party platforms are easy to set up, requiring just the filling in some automated forms and copy pasting a few lines of code into the code that makes up the website. The required investments are very low, just around 50 euros in fixed costs and the variable costs only being incurred when a sale is made. The only requirement which has not been satisfied is the one regarding the time the key activities take per week.

Until enough content creation partners have been listing the creation of new content might take too much time. A way around this is shifting the focus of this content from a magazine style weekly update to a more archive based presentation by creating reusable content. Instead of cranking out new content all the time the focus should lie on creating high quality content which can be revisited when needed and making it easy to find the required information back. This information can be modeled into a how-to style where the articles may be updated from time to time when new information comes along. This will benefit the reader as well since they don't have to navigate their way through a dozen of articles basically saying the same thing with a slight twist or additional point but can find the relevant information in a need single up to date article. Less is more.

5 IMPLEMENTING THE BUSINESS MODEL

This chapter presents the steps taken to implement the business model which was designed in chapter 4. It will look at the following:

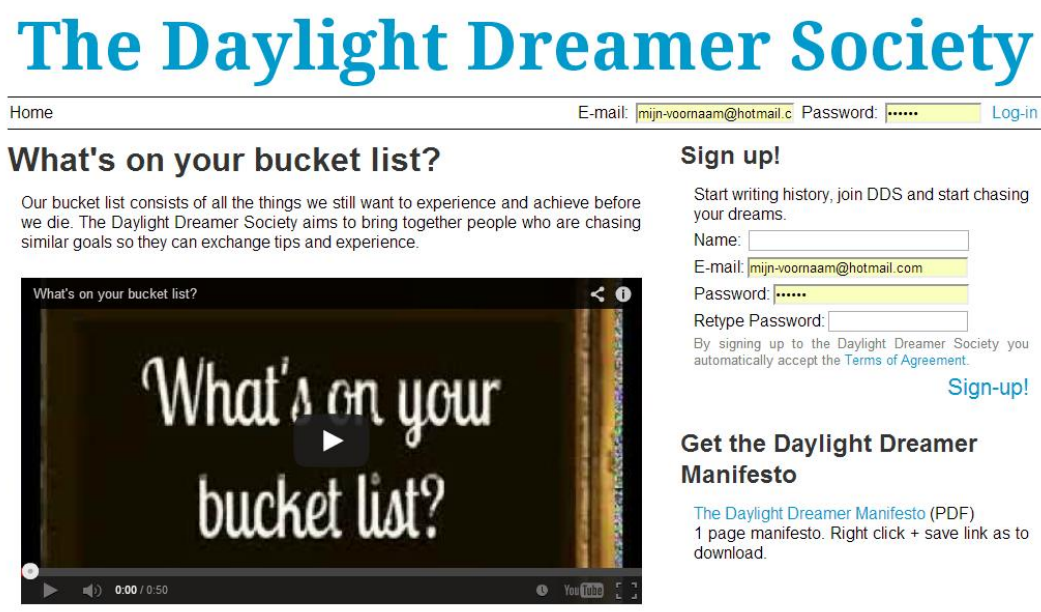
- Advertising
- 3rd party sales channels
- Affiliate sales
- Payments
- Further steps

The merchandise and coaching won't be implemented right away so it won't be discussed in this chapter. This chapter will focus on those essential steps that have been taken to get the business model running.

5.1 Building the platform

The first step to implementing the business model was to design and built the platform. The design of the platform was done based on the business model canvas and the guidelines that were decided on based on the research presented above. Afterwards the platform was built and put online. The website is now live and accessible at <http://www.daylightdreamersociety.com>.

Figure 2: Screenshot of landing page



5.2 Setting up the ads

DDS shows ads on a pay per click basis using Google AdSense. Every time someone clicks on one of the ads DDS will make a few cents. In order to be able to display these ads a Google AdSense account had to be set up by linking the founder's Gmail account. Since the predecessor of DDS, yumeyo.com, already displayed ads the account was already set up. Setting up the account took a few minutes of filling in online forms at <http://google.com/adsense>. Figure 2 shows the AdSense account landing page.

Once the account was set up the next step was to select the specifications of the ads. Google AdSense gives the option to select the size, color scheme, and main topics of the ads. This is so that the ads fit into the web page more easily. Once these are selected the page will generate the code to be copied into the main code of the website where the ads should be shown.

The next required step was to add the domain name of the website to the list of websites connected to the Google AdSense account. Once this was done the ads were all set up. The final step was to create the advertisement file for the new website. This included copy pasting the code given by Google into a PHP (web programming language) file. This file was then added to the DDS file and it now displays the ads.

Since DDS has just been online for a few weeks and is has not been promoted yet the advertisement revenue so far has been zero since it has had no users yet other than the test panel.

Figure 3: Screenshot of the AdSense account

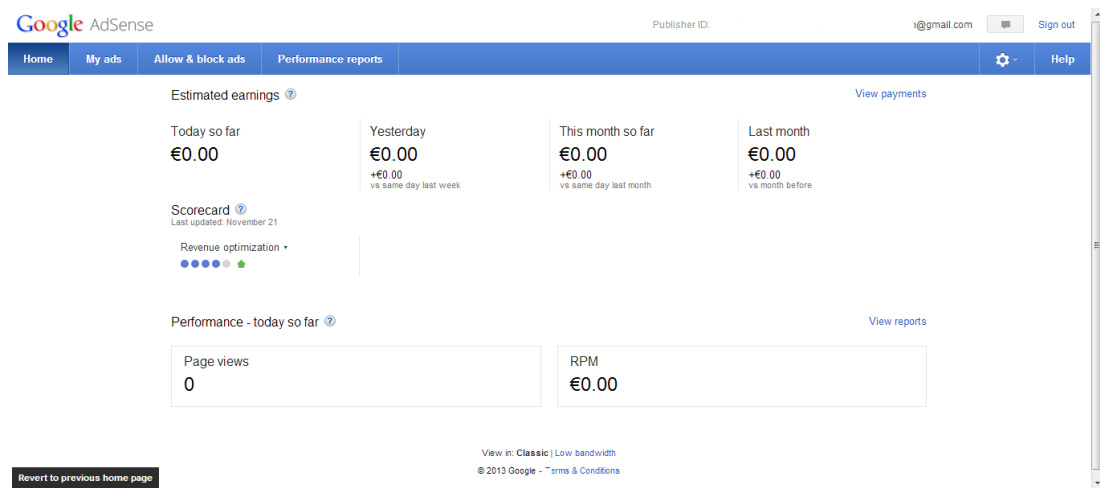


Figure 4: Screenshot of the advertisement file

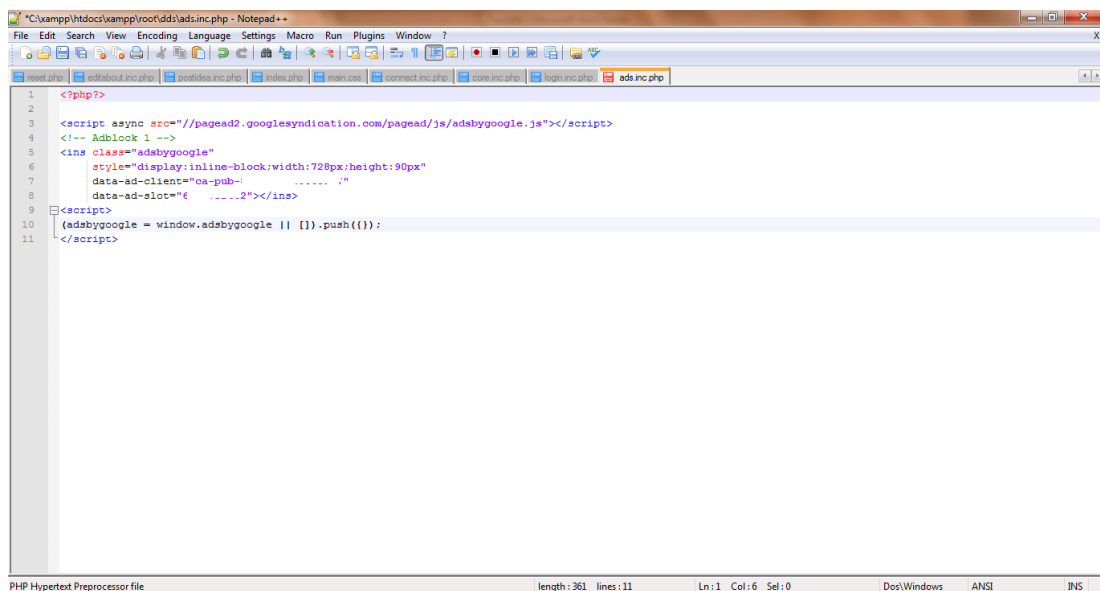
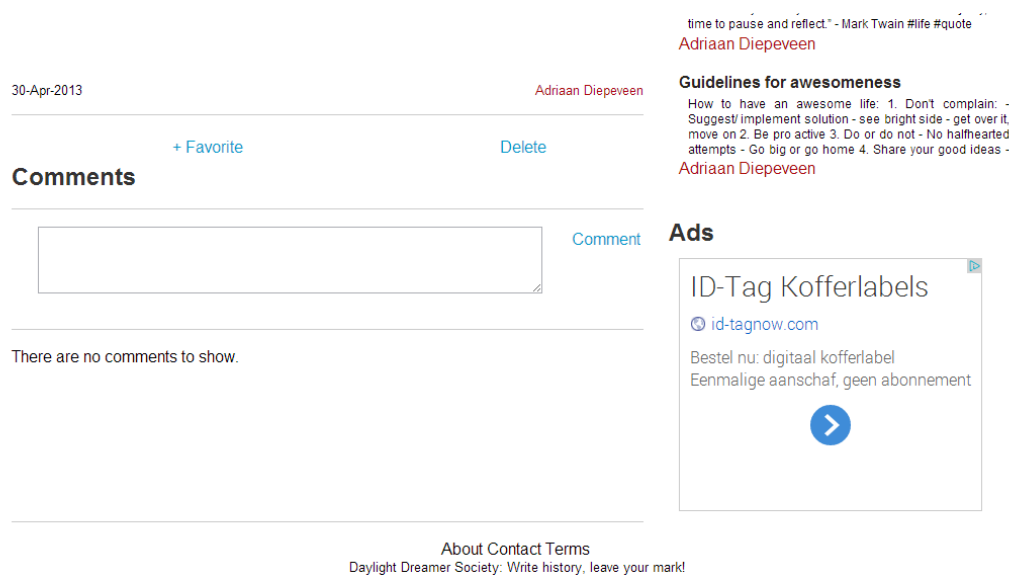


Figure 5: Advertisement file integrated into DDS



5.3 3rd party sales channels & affiliate sales

The 3rd party sales channels that will be used for the sale of books are lulu.com and Amazon. In order to set this up an account had to be created for both of these. Once an account has been set up the content of the books can be uploaded to the system. The platforms then give you the option to set the price and finalize the layout of the cover as well as select whether the book will be a paperback version or an e-book. Once this is done the code for the buy-now button can be copied into the main code of the DDS website. Clicking on this button refers the visitors of DDS to the check-out system of these sales channels. Both the Amazon and Lulu.com channel have been used in the past by the founder of DDS which means the accounts are already set up. The only thing required to implement it to DDS is copy pasting the code and uploading new content once this is created.

To test out the buy-now button integration the code has been tested in the weblog of the DDS founder Adriaan Diepeveen (<http://andiepeveen.blogspot.com>). The book *The Art of Positive Laziness* (Diepeveen, 2012) has been uploaded into the 3rd party channel Lulu.

The Amazon seller account is also linked to the affiliate sales which work in a similar way with the slight difference that the code that is copy pasted refers to any spe-

cific book that you want to refer to other than your own. Once someone clicks on it and decides to buy it a small percentage of the sales price will be paid out to DDS.

Figure 5: Buy now button integrated in webpage.

The Daylight Dreamer Society

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Blog

Updates

We're currently working on the website. It could be that some functions don't work as they should.
21-Jul-2013

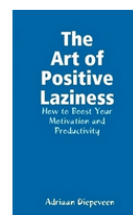
[Read more](#)

Write ideas down

What if every good idea was worked out and implemented? How would the world look like? How many problems would be solved? How many awesome things could we achieve? Ideas have the power to enrich our lives and our society, but only if the ideas are acted upon. The best idea in the world is worthless if nothing is done with it. Idea + action = Result Good idea + action = Positive change A lot of good ideas + a lot of action = A better world.
19-Jun-2013

The Art of Positive Laziness

Boost your productivity and motivation by doing less.



Paperback
102 pages, €7,50



PDF version:

€3,-



5.4 Payments

In order to receive the revenues from the Google AdSense, Lulu, and Amazon account these need to be linked to the PayPal account of the founder. Since all three channels have already been used in the past this has already been done.

5.5 Further steps

Now the steps described above are done the following needs to be done:

- Find and reach out to potential partner bloggers
- Set up Facebook and Youtube channels
- Create content for articles & books
- Promote the platform.

These steps fall out of the scope of this thesis and require further research into internet marketing.

6 CONCLUSION

The purpose of this thesis was to examine how to design a robust, scalable, and automatable business model which would require a low investment to implement and use the information in order to design a business model for DDS.

The hypothesis was that in order to create a scalable business model one does not necessarily need to take on big risks and invest a lot of money.

The conclusion of this thesis is that hypothesis is correct. Theory regarding low cost startups has shown that it is possible to start a company on a very low budget which is still scalable and the theory regarding risk management showed that you can design your business model in such a way to avoid the need for taking big risks.

After studying the literature regarding the elements of a business model and risk management a business model for DDS was designed that fit the initial requirements. Based on this the platform was developed and the revenue streams implemented. More research needs to be done with regards to the promotion of this platform but this falls out of the scope of this thesis.

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Figure 6: Business Model Canvas of DaylightDreamerSociety.com.

